https://www.financial-planning.com/news/advisor-confidence-improves-slightly-but-still-down-for-year-as-election-anxiety-remains

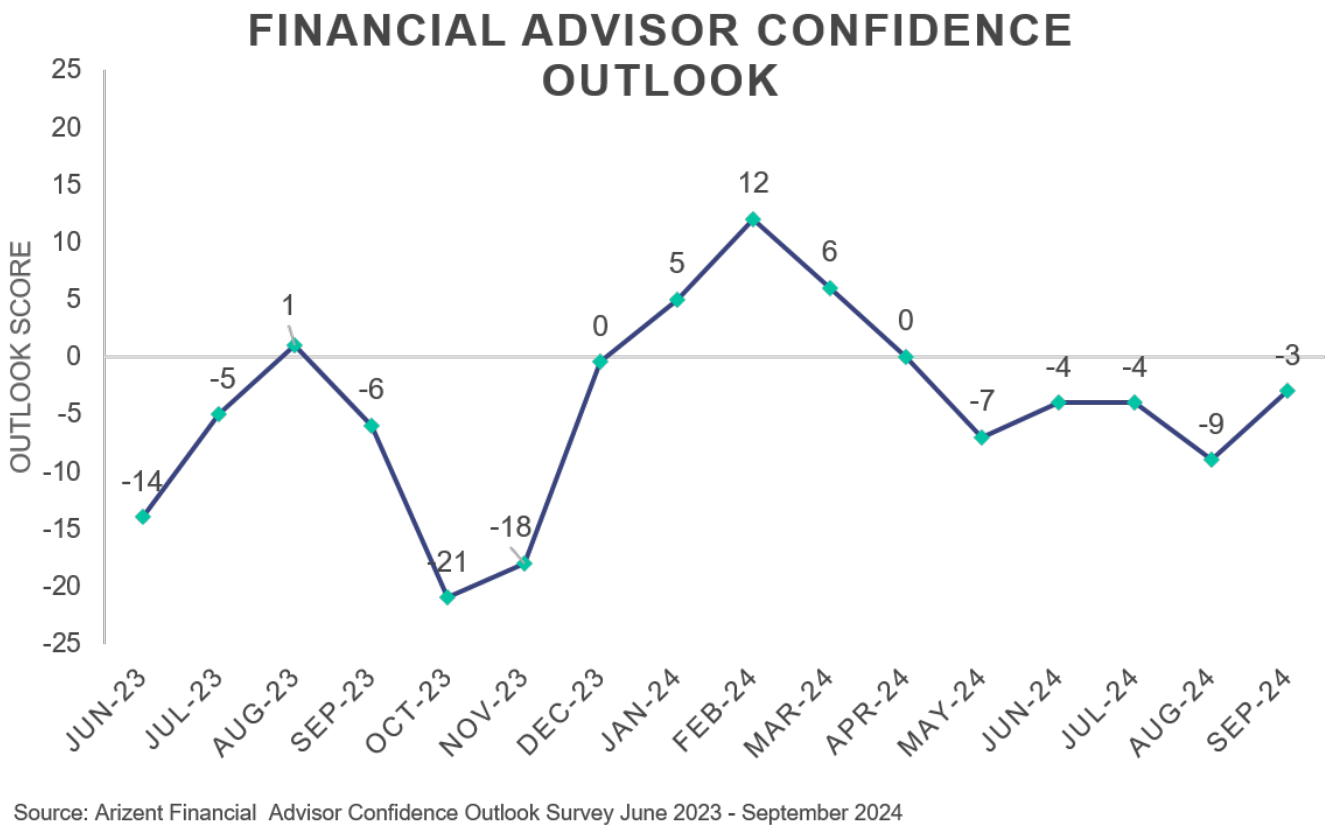
Financial advisors' confidence in the economy still shaky as election looms

By Rob Burgess
September 25, 2024, 12:41 p.m. EDT

Confidence in the U.S. economy among financial advisors has improved slightly, but anxiety surrounding the upcoming election, among other concerns, still meant it was down for the year.

That's the overall sentiment reflected in data from this month's Financial Advisor Confidence Outlook (FACO), a survey of financial advisors and planners by Financial Planning (an Arizent brand).

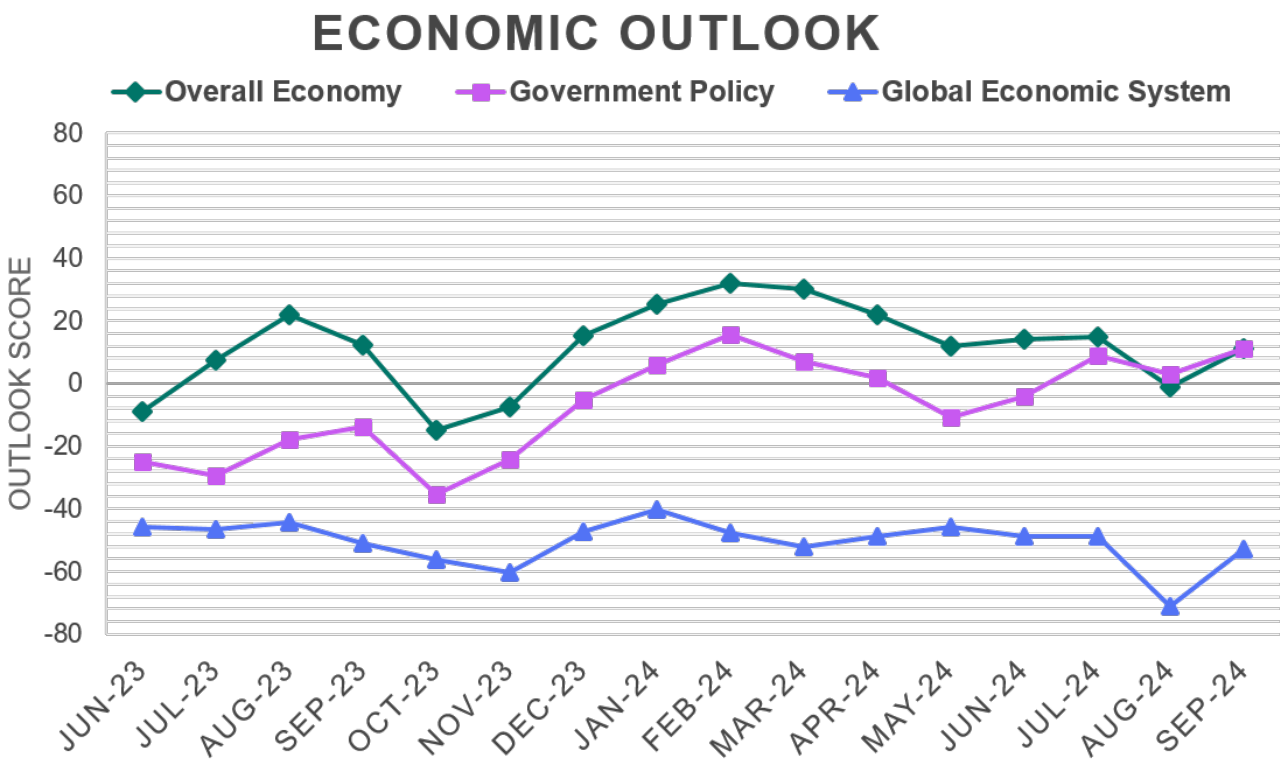
Every month, FACO surveys hundreds of advisors and measures their confidence on a scale of minus-100 to 100. In August, that score fell to minus-9, the lowest recorded this year. The score rebounded somewhat in September to minus-3.



Source: Arizent Financial Advisor Confidence Outlook Survey June 2023 - September 2024

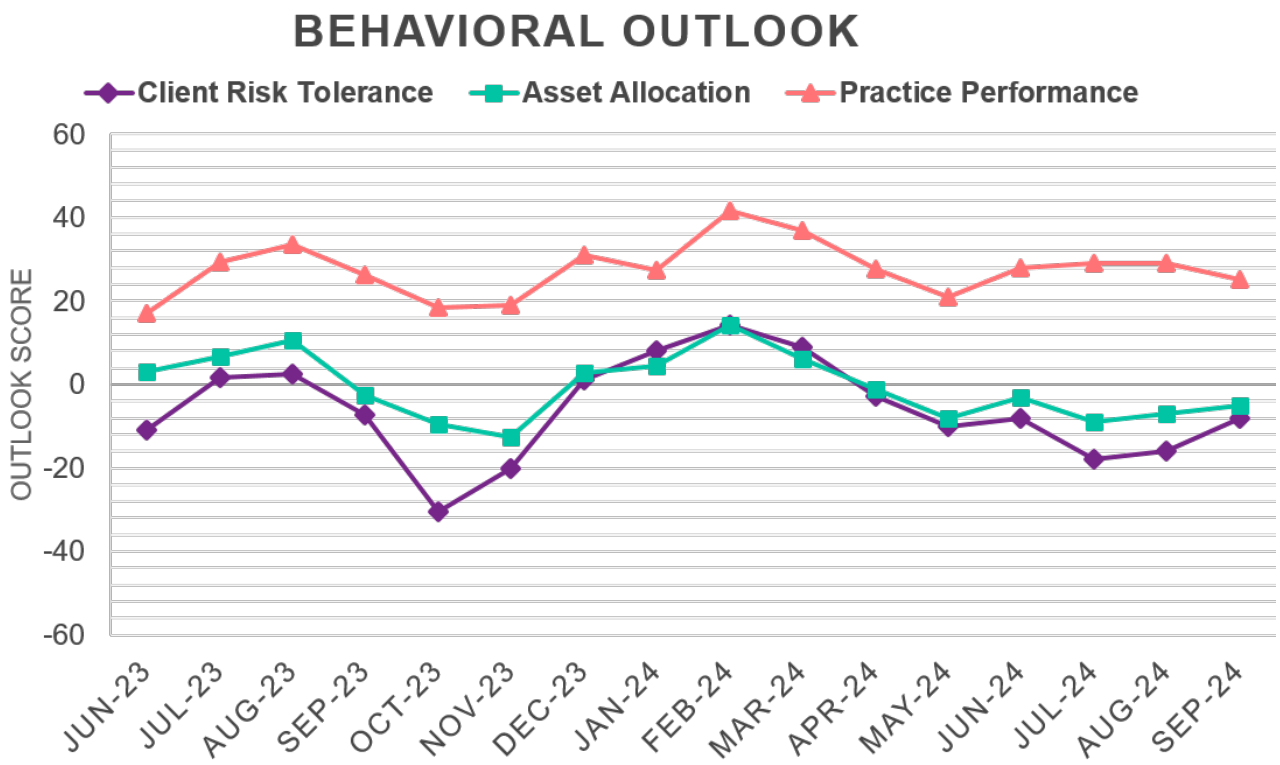
"Election year volatility will continue as we approach … November," said one advisor.

Questions over the economic policies of both major parties' presidential candidates have driven uncertainty, not the least of which includes whether or not the provisions of the Tax Cuts and Jobs Act of 2017 will be renewed.



Source: Arizent Financial Advisor Confidence Outlook Survey June 2023 - September 2024

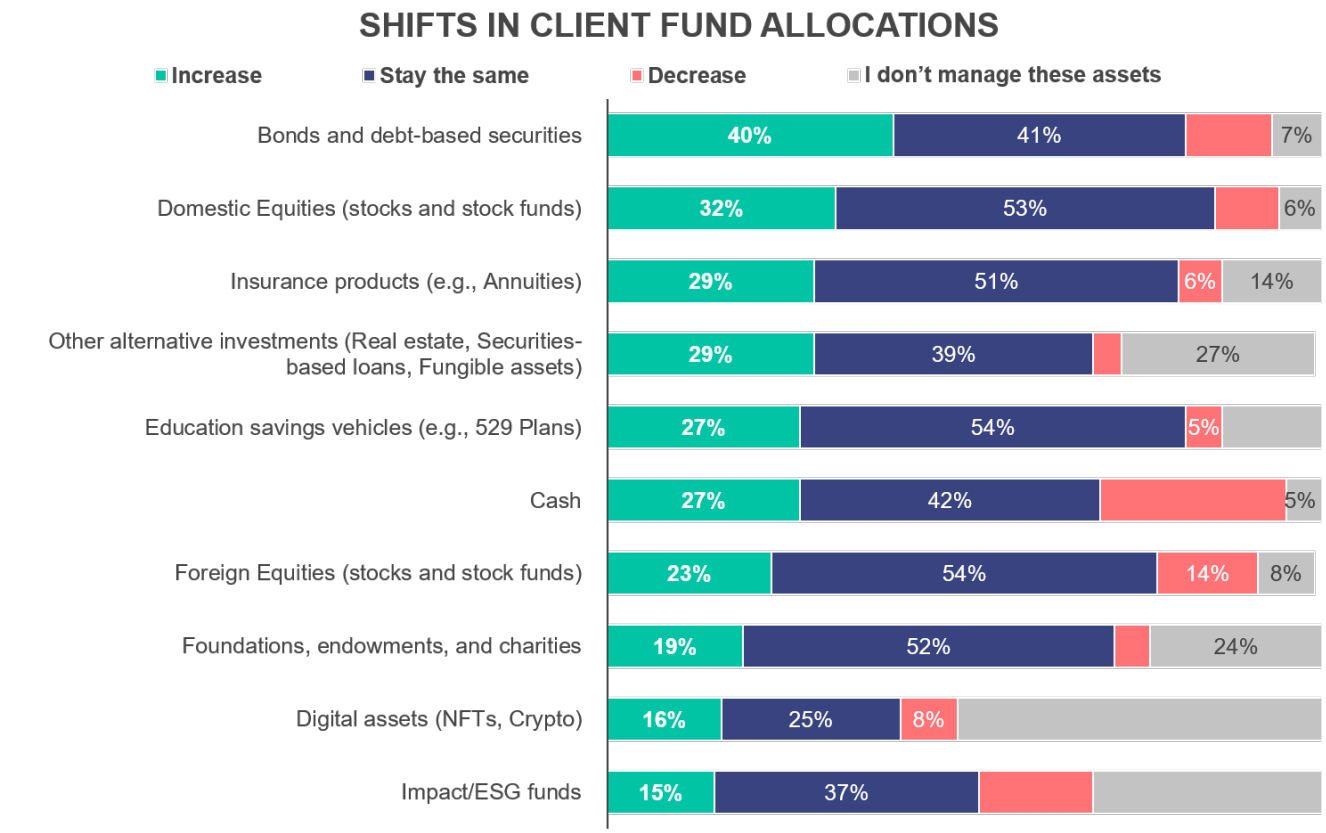
Clients are "aware of the presidential election and potential sunset of Trump tax cuts," said one advisor.



Source: Arizent Financial Advisor Confidence Outlook Survey June 2023 - September 2024

"An election year is always the big trigger," said another advisor.

Faith in the global economic system also slightly improved, though it was still deep in negative territory. That metric went from minus-49 in July, to minus-71 in August and is now at minus-53 in September.



Source: Arizent Financial Advisor Confidence Outlook Survey September 2024
How do you expect the distribution of funds you manage to shift among these different asset types in the coming month? In the coming month I expect the proportional allocation of funds I manage will…
Base: 364 Financial Advisors

Confidence in the overall economy went to minus-1 in August, down from a score of 14 in June and 15 in July. In September, it went back up into positive territory to 11.

Lingering inflation concerns have affected many advisory practices and will continue to do so.

"Costs are increasing so clients are asking for more funds to be distributed to them," said one advisor.

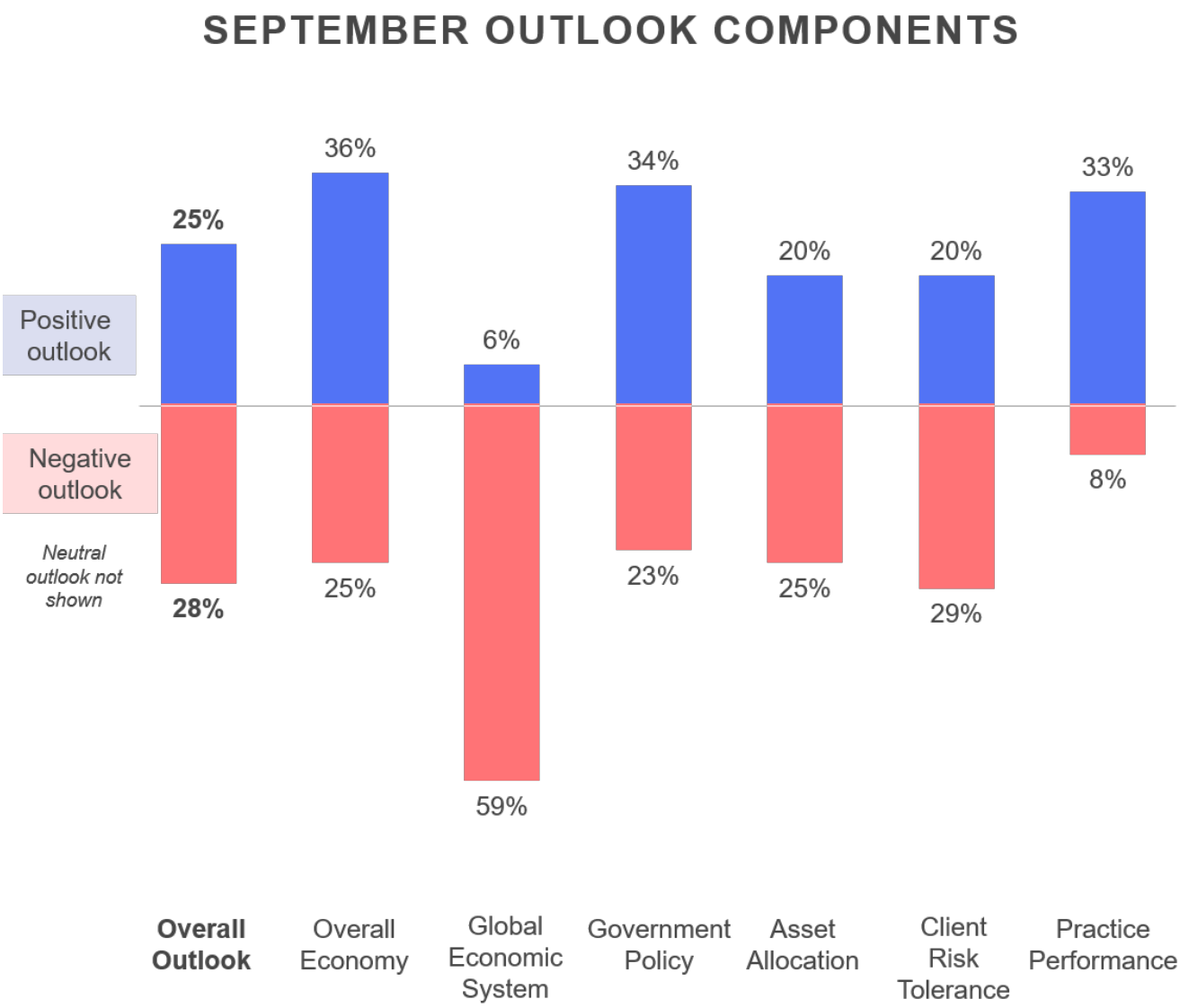
One area where advisors report increased confidence was the widely expected interest rate cuts by the Federal Reserve.

The federal funds rate was previously at 5.25% to 5.50%, the highest in over two decades. Last week, the Fed lowered that figure by half a point.

"I believe that the election will not have a significant change in the business cycle," said one advisor. "However I expect a slight improvement due to declining interest rates."

Client risk tolerance went back up slightly, as well, but was still underwater, going from minus-16 in August to minus-8 in September. Despite that upward

movement, advisors noted the ongoing client reluctance.



Source: Arizent Financial Advisor Confidence Outlook Survey September 2024
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"Clients are becoming increasingly risk-averse with the upcoming election," said one advisor.

Another advisor said rising inflation and fluctuating market conditions are impacting their practice, "leading to cautious client behavior and a shift in investment strategies towards safer, low-risk options."

"Additionally, increasing regulatory requirements are prompting more thorough compliance measures, affecting overall business operations and efficiency," they said.

Yet another advisor pointed to climate change and environmental risks as increasingly impacting financial markets and investment strategies.

Other metrics remained somewhat steady, with confidence in practice performance slipping from 29 in August to 25 in September, in asset allocation up from minus-7 in August to minus-5 in September and in government policy down a bit from 12 in August to 11 in September.